



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

1020 N STREET, SACRAMENTO, CALIFORNIA

(P.O. BOX 1799, SACRAMENTO, CALIFORNIA 95808)

(916) 445-3956

CONWAY H. COLLIS
First District, Los Angeles

ERNEST J. DRONENBURG, JR.
Second District, San Diego

WILLIAM M. BENNETT
Third District, Kentfield

RICHARD NEVINS
Fourth District, Pasadena

KENNETH CORY
Controller, Sacramento

DOUGLAS D. BELL
Executive Secretary

July 20, 1984

84/72

COUNTY ASSESSORS, COUNTY COUNSELS,
COUNTY ASSESSMENT APPEALS BOARDS,
AND OTHER INTERESTED PARTIES:

NOTICE OF PROPOSED REGULATORY ACTION
BY THE
STATE BOARD OF EQUALIZATION

RULE 2, The Value Concept

PUBLIC HEARING: September 11, 1984

NOTICE IS HEREBY GIVEN that the State Board of Equalization, pursuant to the authority vested by Section 15606 of the Government Code, and to implement, interpret, or make specific Article 2 (commencing with Section 441), Chapter 3, Part 2, Division 1, and Sections 110 and 401, of the Revenue and Taxation Code, proposes to amend Rule 2 of Title 18 of the California Administrative Code, relating to property tax.

PUBLIC NOTICE: Notice is further given that a public hearing relevant to this action will be held in Room 102, Consumer Affairs Building, 1020 N Street, Sacramento, California, at 2:00 p.m., on September 11, 1984. Any person interested may present statements or arguments orally or in writing at that time and place.

INFORMATIVE DIGEST: Existing Rule 2 defines the value concept, providing that in addition to the meaning supplied by the Revenue and Taxation Code, the words "full value," "full cash value," "cash value," "actual value," and "fair market value" mean generally the price at which a property would sell on the open market for cash.

The proposed amendment of Rule 2 further defines the terms "full value," "full cash value," "cash value," "actual value," and "fair market value." It provides that when appraising property after a purchase or other change in ownership the "full value", etc., shall be the purchase price paid unless there is substantial and convincing evidence that the property would not have transferred for such a price in an open market transaction. Further, it creates a rebuttable presumption that the purchase price is the "full value", etc., if the terms of the transaction were negotiated at arms length between knowledgeable parties. The amendment also defines "purchase price" as the total consideration valued in money and provides for an allocation of the purchase price, based upon "fair market value," where the transaction involves a change in ownership of more than one parcel of real property.

ESTIMATE OF COST OR SAVINGS: The State Board of Equalization has determined that the proposed change does not impose a mandate on local agencies or school districts. Further, the Board has determined that the change will result in no direct or indirect cost or savings to any State agency, any local agency or school district that is required to be reimbursed under Section 2231 of the Revenue and Taxation Code, or other non-discretionary cost or savings imposed on local agencies, or cost or savings in Federal funding to the State of California.

The cost impact on private persons or businesses will be insignificant. This proposal will not have a significant adverse economic impact on small businesses.

WRITTEN COMMENTS: Written statements or arguments will be considered by the Board if received by September 11, 1984; they are requested by August 31, 1984. Please send comments to Janice Masterton, Regulation Coordinator, at 1020 N Street, Sacramento, California 95814.

STATEMENT OF REASONS; EXPRESS TERMS; RULEMAKING FILE: The Board has prepared a statement of reasons and a strike-out and underscore version (express terms) of the proposed changes. Both of these documents are available to the public upon request. The rulemaking file is available for public inspection at Room 123, 1020 N Street, Sacramento, California.

STAFF MEMORANDA AFTER PUBLIC HEARING OR REVISIONS TO PUBLISHED VERSION OF THE REGULATION: In the event there are any staff memoranda included in the rulemaking file after the close of the public hearing, these memoranda will be available to the public upon request from Mrs. Masterton for a period of 15 days after the public hearing.

In the event there are any revisions sufficiently related to the published version of the rule, these revisions will be available to the public from Mrs. Masterton for a period of 15 days before adoption.

Following the hearing, the State Board of Equalization, upon its own motion, or at the request of any interested person, may in accordance with law adopt the changes proposed without further notice.

<u>INQUIRIES</u>	
<u>CONTENT</u>	<u>HEARING</u>
Questions regarding the content of the regulation should be directed to Gordon P. Adelman, Assistant Executive Secretary, Property Taxes, (916) 445-1516, at 1020 N Street, Sacramento, CA 95814.	Written comments for the Board's consideration or requests to present testimony and bring witnesses to the public hearing should be directed to Janice Masterton, Assistant to Executive Secretary, (916) 445-6479, at the same address.

STATE BOARD OF EQUALIZATION

Douglas D. Bell

Douglas D. Bell
Executive Secretary

RULE 2 -- THE VALUE CONCEPT

In addition to the meaning ascribed to them in the Revenue and Taxation Code, the words "full value," "full cash value," "cash value," "actual value," and "fair market value" mean the price at which a property, if exposed for sale in the open market with a reasonable time for the seller to find a purchaser, would transfer for cash or its equivalent under prevailing market conditions between parties who have knowledge of the uses to which the property may be put, both seeking to maximize their gains and neither being in a position to take advantage of the exigencies of the other.

The "full value," "full cash value," "cash value," "actual value," and "fair market value" of real property being appraised upon a purchase or other transfer constituting a change in ownership as defined in Section 60 et seq. of the Revenue and Taxation Code shall be the purchase price paid in such transaction unless there is substantial and convincing evidence that the real property would not have transferred for such purchase price in an open market transaction. The purchase price shall, however, be rebuttably presumed to be the "full value," "full cash value," "cash value," "actual value," or "fair market value" if the terms of the transaction were negotiated at arms length between a knowledgeable transferror and transferee neither of which could take advantage of the exigencies of the other. "Purchase price" as used in this section is the total consideration provided by the purchaser or on his behalf, valued in money, whether paid in money or otherwise. If a single transaction results in a change in ownership of more than one parcel of real property, the purchase price shall be allocated among

those parcels and other assets, if any, transferred based
on the relative fair market value of each.

Authority: Section 15606, Government Code.

Reference: Article 2, Chapter 3, Part 2, Division 1,

Revenue and Taxation Code.

Sections 110, 401, Revenue and Taxation Code.